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Money available for COVID relief to properties receiving Project-Based Rental Assistance

By Kathie Soroka, Deborah VanAmerongen and Richard Michael Price

Property owners with project-based rental assistance contracts administered by HUD's Office of Multifamily Housing, including Section 8, Section 202, and Section 811 contracts, may apply for supplemental payments under the CARES Act (Pub. L. 116-136) to cover COVID-19-related expenses, pursuant to [HUD Notice 20-08](#), issued on July 23, 2020. PBRA (including Rural Housing 515/8), PRAC, SPRAC, and PAC contracts are eligible.¹ Funding may be used to prevent, prepare for, and respond to COVID-19.

Applications are due August 5. First priority is being given to costs incurred between March 27, 2020, and July 31, 2020. Requests of costs incurred in August 2020 through December 2020 are also eligible, but will be considered only after HUD reviews requests for this initial time period.

Eligible costs

These funds ("COVID-19 Supplemental Payments" or "CSPs") will be separate, supplemental payments targeted specifically to COVID-19 expenses, rather than increases in the rental assistance.

Eligible Costs include:

- Deep cleaning, disinfecting, and sanitizing costs, for common areas or to prepare units for re-occupancy;
- Technology enhancements and equipment needed to facilitate social distancing;
- Personal protective equipment (PPE);

¹ Applicable contracts include Section 8 Project-Based Rental Assistance (PBRA), Section 202 Project Rental Assistance Contracts (PRAC), Section 202 Senior Preservation Rental Assistance (SPRAC), Section 202/162 Project Assistance Contracts (PAC), and Section 811 Project Rental Assistance Contracts (811 PRAC). Eligible PBRA contracts include New Construction, State Housing Agency Program, Substantial Rehabilitation, Section 202/8 PBRA, Rural Housing Services 515/8, Loan Management Set-Aside (LMSA), and Property Disposition Set-Aside (PDSA).

- Shields and barriers for protective and social distancing purposes, such as sneeze/cough guards;
- Temporary staffing for processing higher-than-normal volume of tenant recertifications; and
- Temporary staffing for service coordination in properties designed to serve elderly residents and/or persons with disabilities.

Eligible costs do not include offsets to decreased tenant rent payments. Property owners with tenants experiencing decreased income because of COVID-19 should follow tenant income recertification guidance, as provided in a [previous HUD notice](#).

Application process

Requests are due by 11:59 p.m. local time on August 5. Applicants must submit [Form HUD-52671-E](#) to their administering HUD field office or their Project-Based Contract Administrator (PBCA), as applicable. Electronic submissions via email are required.

HUD has created two tiers for reimbursement requests: Tier 1, for a capped amount, based on a formula, and Tier 2, for larger requests.

Tier 1 reimbursement requests, that fall within the amounts listed below, are primarily intended for prevention and preparation. These requests are limited to:

- \$2,000 base amount per property, plus \$60 per assisted unit;
- \$1,000 additional per-property allowance for properties specified to house elderly residents (see [Notice 20-08](#), footnote 3, for a list of eligible contracts); and
- Up to \$3,000 additional allowance for properties with a budget-based service coordinator program, if claimed specifically for eligible COVID-19-related service coordinator program cost increases.

Tier 2 reimbursement requests, for larger amounts, may be necessary to address increased costs associated with COVID-19 outbreaks among property residents, or in response to extensive community exposure that creates a greater threat to the health and safety of residents within the community. Requests for Tier II payments must be substantiated by supporting documentation of expenses and COVID-19 impacts. This documentation must include a narrative explanation of circumstances at the property, infection rates in the surrounding community, and receipts for all line items over \$500 (see [Notice 20-08](#), Section VIII for additional details). There is no cap on Tier II payments.

If the allocated funding is insufficient to address all requests, HUD may prorate requested amounts. HUD anticipates that the caps in the Tier I requests will make proration less likely. If proration is necessary for Tier II requests, proration will vary, based on prioritization, with properties prioritized as follows:

1. Properties specified to house elderly residents and that have contract rents below FMR;
2. Elderly properties with rents at or above FMR;
3. Non-elderly properties with rents below FMR; and
4. Non-elderly properties with rents at or above FMR.

Requests will be approved only for critical funding needs that cannot be addressed through other sources, including anticipated surplus cash distributions in the next twelve months. HUD will also require project owners with residual receipt accounts to utilize such balances to offset COVID-19 costs. However, projects will be allowed to repay owner advances previously approved by HUD. These one-time CSPs will not be factored into annual budget-based rent adjustment (BBRA) assessments.

Applicants must have a satisfactory Management and Occupancy Review (MOR) score and a REAC score of at least 60, or must have a corrective action plan approved by HUD or the contract administrator. Applicants must be current on their annual financial statement submissions and be actively vouchering for monthly subsidy payments. Property owners who have provided a 120-day notice of intent to opt-out are not eligible.

For more information on the content of this alert, please contact your Nixon Peabody attorney or:

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